

**AKFEN HOLDİNG A.Ş.**

Long-term National Credit Rating: **TR AAA**  
Short-term National Credit Rating: **TR A1**  
Outlook: **Stable**

Ratings History: LTNCR: **TR AAA** STNCR: **TR A1** Outlook: **Stable** Date: 08.12.2016

**Istanbul, December 13, 2017**– The Long-term National Credit Rating of TR AAA and the Short-term National Credit Rating of TR A1 of Akfen Holding A.Ş. (hereafter Akfen Holding, the company or the Group together with its partners) have been affirmed. The outlook remains stable. Akfen Holding maintains its strong financial structure in large part due to the significant liquidity generated by the sale of its subsidiaries' shares. In addition to its high equity and the very low leverage ratio, the company's experience in business development and its partnerships with nationally reputable companies and multinationals are factors supporting the ratings. On the other hand, where the cash generated from the share sales will be invested and how they will impact the present business model will need to be monitored in the course of the following ratings.

**Share Sales and Spin-off of Subsidiaries under the Restructuring Plan:** In 2016 the Board of Directors of Akfen Holding decided to keep only companies having strong financials with optimal equity structure with strong cash flows or having the potential to generate strong cash flows and high dividend performance under Akfen Holding. Companies that were still developing and required investments were transferred as capital in-kind to Akfen Mühendislik A.Ş. The spin-off that took place in February 2017 aimed to fund other Akfen Group companies operating in infrastructure, energy, and PPP projects in education and health or to finance new investments in different sectors that conformed to their current business model. As a result of the evaluation of the offers received, all of the company's shares (8.119%) in TAV Havalimanları Holding A.Ş. (TAV) have been sold for US\$160.0 million in July 2017, 40% of its shares in Mersin Uluslararası Liman İşletmeciliği A.Ş. (MIP) have been sold for US\$869.0 million in October 2017. After the share sales of TAV and MIP, Akfen Holding currently holds 10% shares in MIP, 49.99% shares in Akfen Liman İşletmeciliği ve Yönetim Danışmanlığı A.Ş. and 80.01% shares in AkfenYenilenebilir A.Ş. (ARE).

As a result of share sales, Akfen Holding has transformed its fixed assets into highly liquid assets. Thus, the Group has the flexibility to position itself to economic conjunctures. While management envisions to stay liquid in 2018, its future plan is to use the cash assets to purchase assets in line with the restructuring strategy.

As of September 30, 2017, 12 Hydroelectric Power Plant (HPP) and 6 Solar Power Plant (SPP) groups with a total operational installed capacity of 239.7 MW, have been consolidated under ARE. The European Bank of Reconstruction and Development (EBRD) and the International Finance Corporation (IFC) have bought 19.99% of ARE's shares for US\$99.9 million during this process. According to the agreement between the shareholders, EBRD and IFC' shares will go up to 33.3% when they inject an additional US\$100.0 million capital in the coming period.

**Balance-Sheet Contraction Due to Division:** Under restated financials, Akfen Holding's assets contracted to TL2,820 million in the first half of 2017 due to the spin-off that took place in February 2017. In 2016, 96.6% of Akfen Holding's revenues came from the power plants that were fully consolidated. With the transfer of its subsidiaries and the consolidation of all of the existing companies under the equity pick-up accounting method, Akfen Holding's revenues declined to TL 2.1 million. Under the present structure the Group's 2017 revenues are essentially dividends and income from share sales that are accounted as "other operating income". Operating income reflects only the costs born by the companies directly owned by Akfen Holding. Considering that the income generated from the sale of MIP shares is planned to be kept in cash according to the projection prepared by the Group management, the assets of Akfen Holding are expected to increase by the end of 2017.

**Significant Impact of Share Sales on Profitability:** Due to the capital injection of EBRD and IFC in 2016 together with the real value accounting of ARE, Akfen Holding's EBITDA increased to TL768.5 million. According to the non-audited financial tables of September 30, 2017, EBITDA reached TL464 million as result of the sale of TAV shares. 2017 EBITDA is expected to be higher than 2016 because of the contribution of MIP share sales. In line with EBITDA, the net profit of 2017 is expected to be the highest profit ever achieved.

**Equity Maintains its Strong Structure:** Akfen Holding has maintained its strong equity structure for years. Despite the decrease in the paid-in capital by TL595 million because of the division, in the first half of 2017 Akfen's equity was still high, at a TL1,577 million level. In September 2017, its equity increased to TL1,887 million, due to the previous year's profit of TL1.0 billion and the period net profit of TL 371 million. The equity / asset ratio, which was 48.9% at the end of 2016, reached its highest level of 65.3% in September 2017. Akfen Holding's management aims to raise its equity / asset ratio to an even higher level by the end of 2017.

**Low Leverage Ratios:** The transfer of TL969 million liabilities together with its subsidiaries has reduced Akfen Holding liabilities in the first half of 2017. The financial liabilities, which were equal to its equity at the end of 2016, have decreased to 0.8 times equity in the first half of 2017. According to the information received from Akfen Holding's management, as of the date of the report, payments of bank credits and maturing bonds will further reduce the financial leverage ratio to 0.5 in the third quarter of 2017. The management of Akfen Holding expects the financial leverage ratio to decrease even further by the end of 2017.

**Senior Management Attaches Importance to Corporate Governance and Transparency:** Akfen has benefited from the continuity in the management team, as years of corporate information and experience could be retained within the company and provide the basis of steady growth under sound policies. Even after the company delisted from the Stock Exchange in 2016, management continued to respect transparency rules and comply to governance standards. Doing business with multinationals and experienced foreign partners has further strengthened the corporate governance of Akfen Holding.

Akfen's Selected Financial Indicators (1,000 TL)

	2013	2014*	2015*	2016	2017/6
Current Assets	423,947	575,000	1,308,423	1,633,665	320,956
Fixed Assets	2,974,541	3,418,014	2,981,011	2,385,430	2,499,130
<b>Total Assets</b>	<b>3,398,488</b>	<b>3,993,014</b>	<b>4,289,434</b>	<b>4,019,095</b>	<b>2,820,086</b>
<i>Asset Growth (%)</i>	8.1	17.5	7.4	-6.3	-33.6
Short-term Liabilities	493,177	732,761	1,143,463	1,842,170	741,759
Long-term Liabilities	1,142,439	1,556,859	1,373,482	213,421	500,909
<b>Equity</b>	<b>1,762,872</b>	<b>1,703,394</b>	<b>1,772,489</b>	<b>1,963,504</b>	<b>1,577,418</b>
Net Sales	111,446	119,252	146,344	135,586	2,124
<i>Sales Growth (%)**</i>	22.6	7.0	22.7	-7.4	-98.4
Net Profit/ Loss	-18,913	-14,560	2,660	359,299	66,679
<b>EBITDA***</b>	<b>251,805</b>	<b>220,281</b>	<b>178,153</b>	<b>768,561</b>	<b>131,684</b>
Interest Coverage Ratio (x)	2.9	2.2	1.5	5.9	2.4
Total Liabilities / Equity (x)	0.9	1.3	1.4	1.0	0.8
Equity / Assets (%)	51.9	42.7	41.3	48.9	55.9

\* 2014 and 2015 were restated in the audit report of 2016. While the balance sheet and income statements of 2015 have been restated, only the balance sheet of 2014 has been restated as of 1 January 2015.

\*\* Compared with 2017/6 sales volume.

\*\*\* EBITDA: EBITDA: Revenues – Excluding Depreciation and Amortization Expenses (Cost of Goods Sold - Operational Expenditures) +/- Difference between Revenues and Expenditures from Other Operations ( As the company is an investment holding, profits or losses from sales of participations and investments valued under the equity pick up method are included in the EBITDA calculation).

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